

Report on the

Crenshaw County Commission

Crenshaw County, Alabama

October 1, 2019 through September 30, 2020

Filed: January 28, 2022



Department of Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner



Rachel Laurie Riddle
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Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on the Crenshaw County Commission, Crenshaw County, Alabama, for the period October 1, 2019 through September 30, 2020. Under the authority of the ***Code of Alabama 1975***, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Jasmine C. Jones
Examiner of Public Accounts

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Department of **Examiners of Public Accounts**

SUMMARY

Crenshaw County Commission October 1, 2019 through September 30, 2020

The Crenshaw County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Crenshaw County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 14. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of Crenshaw County.

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Commission complied with applicable laws and regulations. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12.

An unmodified opinion was issued on the financial statements, which means that the Commission’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2020.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state and local laws and regulations.

EXIT CONFERENCE

Commission members and administrative personnel, as reflected on Exhibit 14, were invited to discuss the results of this report at an exit conference held at the Commission’s office. Individuals in attendance were: David H. Smyth, Administrator; and Commissioners: Charlie Sankey, Jr., Raymond McGough, Robert “Bo” Mount, Merrill Sport, and Stallion Sasser. Representing the Department of Examiners of Public Accounts were: Jason Norsworthy, Audit Manager; and Jasmine Jones, Accounts Examiner.

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Independent Auditor's Report

Independent Auditor's Report

Members of the Crenshaw County Commission and the County Administrator
Luverne, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Crenshaw County Commission, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Crenshaw County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 8.

Management's Responsibility for the Financial Statements

The management of the Crenshaw County Commission is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Crenshaw County Commission, as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

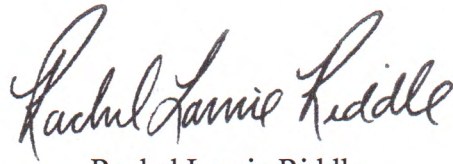
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), Schedule of Changes in the Employer's Net Pension Liability, Schedule of the Employer's Contributions – Pension, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 9 through 13), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Crenshaw County Commission has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated January 6, 2022, on our consideration of the Crenshaw County Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Crenshaw County Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Crenshaw County Commission's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rachel Laurie Riddle". The signature is written in a cursive style with a large, stylized "R" at the beginning.

Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

January 6, 2022

Basic Financial Statements

Statement of Net Position ***September 30, 2020***

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 10,789,286.75
Cash with Fiscal Agent	600,542.39
Investments	5,697,799.00
Receivables (Note 4):	535,066.62
Ad Valorem Taxes Receivable	2,146,098.21
Prepaid Items	144,949.89
Capital Assets (Note 5):	
Nondepreciable	512,525.30
Depreciable - Net	16,171,734.07
Total Assets	<u>36,598,002.23</u>
<u>Deferred Outflows of Resources</u>	
Employer Pension Contribution	236,810.99
Deferred Outflows Related to Net Pension Liability	349,008.00
Total Deferred Outflows of Resources	<u>585,818.99</u>
<u>Liabilities</u>	
Accounts Payable	183,741.22
Unearned Revenue	19,660.66
Accrued Wages Payable	190,086.55
Accrued Interest Payable	97,742.70
Long-Term Liabilities (Note 8):	
Portion Due or Payable Within One Year:	
Capital Leases Payable	540,860.46
Warrants Payable	60,000.00
Funding Agreement Payable	130,000.00
Estimated Liability for Compensated Absences	9,648.54
Portion Due or Payable After One Year:	
Capital Leases Payable	805,467.97
Warrants Payable	3,190,000.00
Funding Agreement Payable	1,560,000.00
Estimated Liability for Compensated Absences	86,836.82
Net Pension Liability	2,717,135.00
Total Liabilities	<u>\$ 9,591,179.92</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

	Governmental Activities
<hr/>	
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Taxes	\$ 2,146,098.21
Revenue Received in Advance - Motor Vehicle Taxes	141,342.72
Deferred Inflows Related to Net Pension Liability	<u>5,504.00</u>
Total Deferred Inflows of Resources	<u>2,292,944.93</u>
<u>Net Position</u>	
Net Investment in Capital Assets	10,397,930.94
Restricted for:	
Capital Improvements	1,966,258.81
Debt Service	2,572,779.72
Road Projects	2,410,334.50
Industrial Development	1,108,990.53
Other Purposes	208,971.53
Unrestricted	<u>6,634,430.34</u>
 Total Net Position	 <u><u>\$ 25,299,696.37</u></u>

Statement of Activities
For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Primary Government					
<u>Governmental Activities:</u>					
General Government	\$ 1,963,267.77	\$ 556,165.32	\$ 443,091.91	\$ 11,515.00	\$ (964,010.54)
Public Safety	1,679,118.96	107,008.83	80,129.22		(1,480,465.91)
Highways and Roads	3,428,549.08	304,504.10	3,051,035.96		(73,009.02)
Sanitation	107,960.59				(107,960.59)
Health	27,000.00				(27,000.00)
Welfare	169,316.88		23,587.00		(145,729.88)
Culture and Recreation	12,500.00				(12,500.00)
Interest on Long-Term Debt	205,057.28				(205,057.28)
Total Governmental Activities	<u>\$ 7,592,770.57</u>	<u>\$ 967,678.25</u>	<u>\$ 3,597,844.09</u>	<u>\$ 11,515.00</u>	<u>(3,015,733.23)</u>
<u>General Revenues:</u>					
Taxes:					
Property Taxes for General Purposes					1,500,205.83
Property Taxes for Specific Purposes					948,172.66
Sales and Use Tax - General Purposes					703,363.11
Sales and Use Tax - Specific Purposes					635,403.80
Miscellaneous Taxes					36,988.62
Grants and Contributions Not Restricted for Specific Programs					335,921.18
Interest Earned					146,465.71
Gain on Sale of Capital Assets					137,330.13
Miscellaneous					85,915.97
Total General Revenues					<u>4,529,767.01</u>
Changes in Net Position					1,514,033.78
Net Position - Beginning of Year					<u>23,785,662.59</u>
Net Position - End of Year					<u>\$ 25,299,696.37</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Balance Sheet
Governmental Funds
September 30, 2020

	General Fund	Gasoline Tax Fund	RRR Gasoline Tax Fund	One Cent Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>						
Cash and Cash Equivalents	\$ 3,690,900.91	\$ 959,932.24	\$ 1,100,948.08	\$ 2,356,989.14	\$ 2,680,516.38	\$ 10,789,286.75
Cash with Fiscal Agent					600,542.39	600,542.39
Investments	5,050,000.00		325,000.00		322,799.00	5,697,799.00
Receivables (Note 4)	281,748.76	64,813.52	75,045.00	55,962.68	57,496.66	535,066.62
Ad Valorem Taxes Receivable	1,939,221.07				206,877.14	2,146,098.21
Due from Other Funds		436,679.30				436,679.30
Prepaid Items				144,949.89		144,949.89
Total Assets	10,961,870.74	1,461,425.06	1,500,993.08	2,557,901.71	3,868,231.57	20,350,422.16
<u>Liabilities and Fund Balances</u>						
<u>Liabilities</u>						
Payables	138,303.11	45,327.98			110.13	183,741.22
Unearned Revenue					19,660.66	19,660.66
Due to Other Funds			436,679.30			436,679.30
Accrued Wages Payable	108,671.21	73,703.47			7,711.87	190,086.55
Total Liabilities	246,974.32	119,031.45	436,679.30		27,482.66	830,167.73
<u>Deferred Inflows of Resources</u>						
Unavailable Revenues - Property Taxes	1,939,221.07				206,877.14	2,146,098.21
Revenue Received in Advance - Motor Vehicle Taxes	141,342.72					141,342.72
Total Deferred Inflows of Resources	2,080,563.79				206,877.14	2,287,440.93
<u>Fund Balances</u>						
Restricted for:						
Highways and Roads			1,064,313.78		1,346,020.72	2,410,334.50
Debt Service				2,557,901.71	112,620.71	2,670,522.42
Capital Projects					1,966,258.81	1,966,258.81
Industrial Development	1,108,990.53					1,108,990.53
Other Purposes					208,971.53	208,971.53
Assigned to:						
Highways and Roads		1,342,393.61				1,342,393.61
Unassigned	7,525,342.10					7,525,342.10
Total Fund Balances	8,634,332.63	1,342,393.61	1,064,313.78	2,557,901.71	3,633,871.77	17,232,813.50
Total Liabilities and Fund Balances	\$ 10,961,870.74	\$ 1,461,425.06	\$ 1,500,993.08	\$ 2,557,901.71	\$ 3,868,231.57	\$ 20,350,422.16

The accompanying Notes to the Financial Statements are an integral part of this statement.

***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2020***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 17,232,813.50

Amounts reported for governmental activities in the Statement of Net Position
(Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported as assets in governmental funds (See Note 5). 16,684,259.37

Deferred outflows and inflows of resources related to pensions are applicable to future
periods and, therefore, are not reported in the governmental funds. 580,314.99

Certain liabilities are not due and payable in the current period and therefore are
not reported as liabilities in the funds. These liabilities at year-end consist of:

	Amounts Due or Payable Within One Year	Amounts Due or Payable After One Year	
Accrued Interest Payable	\$ 97,742.70	\$	
Capital Lease Contracts Payable	540,860.46	805,467.97	
Warrants Payable	60,000.00	3,190,000.00	
Funding Agreement Payable	130,000.00	1,560,000.00	
Estimated Liability for Compensated Absences	9,648.54	86,836.82	
Net Pension Liability		2,717,135.00	
Total Long-Term Liabilities	\$ 838,251.70	\$ 8,359,439.79	(9,197,691.49)

Total Net Position - Governmental Activities (Exhibit 1) \$ 25,299,696.37

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2020

	General Fund	Gasoline Tax Fund	RRR Gasoline Tax Fund	One Cent Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 2,997,665.90	\$	\$	\$ 492,438.66	\$ 347,130.14	\$ 3,837,234.70
Licenses and Permits	29,643.51				41,001.92	70,645.43
Intergovernmental	574,083.97	1,311,013.70	892,959.23		1,157,448.18	3,935,505.08
Charges for Services	590,349.92	26,565.52			4,579.00	621,494.44
Miscellaneous	147,268.18	305,722.33	11,314.27	16,071.11	24,218.68	504,594.57
Total Revenues	4,339,011.48	1,643,301.55	904,273.50	508,509.77	1,574,377.92	8,969,474.22
Expenditures						
Current:						
General Government	1,460,352.20				290,621.00	1,750,973.20
Public Safety	1,367,623.85			6,965.00	126,994.09	1,501,582.94
Highways and Roads	39,804.19	1,902,966.44	598,368.85		5,600.00	2,546,739.48
Sanitation	94,673.22					94,673.22
Health	27,000.00					27,000.00
Welfare	124,618.58				21,600.00	146,218.58
Culture and Recreation	12,500.00					12,500.00
Capital Outlay	149,943.80	1,299,741.54			130,075.00	1,579,760.34
Debt Service:						
Principal Retirement		1,138,224.70		125,000.00	213,278.28	1,476,502.98
Interest and Fiscal Charges		48,271.79		37,017.50	112,098.54	197,387.83
Total Expenditures	3,276,515.84	4,389,204.47	598,368.85	168,982.50	900,266.91	9,333,338.57
Excess (Deficiency) of Revenues Over Expenditures	1,062,495.64	(2,745,902.92)	305,904.65	339,527.27	674,111.01	(363,864.35)
Other Financing Sources (Uses)						
Transfers In		450,000.00			169,833.64	619,833.64
Proceeds from Sale of Capital Assets	5,650.00	945,122.33				950,772.33
Proceeds from Issuance of Debt	79,517.20	1,019,019.00				1,098,536.20
Transfers Out	(307,000.00)			(162,833.64)	(150,000.00)	(619,833.64)
Total Other Financing Sources (Uses)	(221,832.80)	2,414,141.33		(162,833.64)	19,833.64	2,049,308.53
Net Changes in Fund Balances	840,662.84	(331,761.59)	305,904.65	176,693.63	693,944.65	1,685,444.18
Fund Balances - Beginning of Year	7,793,669.79	1,674,155.20	758,409.13	2,381,208.08	2,939,927.12	15,547,369.32
Fund Balances - End of Year	\$ 8,634,332.63	\$ 1,342,393.61	\$ 1,064,313.78	\$ 2,557,901.71	\$ 3,633,871.77	\$ 17,232,813.50

The accompanying Notes to the Financial Statements are an integral part of this statement.

***Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2020***

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 1,685,444.18

Amounts reported for governmental activities in the Statement of Activities (Exhibit 2)
are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$1,579,760.34) exceeded depreciation (\$1,136,530.43) in the current period. 443,229.91

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 1,476,502.98

In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balances by this amount.

Proceeds from Sale of Capital Assets	\$	(950,772.33)	
Net Gain on Disposition of Capital Assets		137,330.13	(813,442.20)

Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities. (1,098,536.20)

Some revenues and expenses reported in the Statement of Activities do not provide or require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These consist of:

Net Change in Compensated Absences	\$	(6,979.43)	
Net Change in Pension Expense		(164,516.01)	
Net Change in Accrued Interest Payable		(7,669.45)	
Net Adjustment			(179,164.89)

Change in Net Position of Governmental Activities (Exhibit 2) \$ 1,514,033.78

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Fiduciary Net Position
September 30, 2020

	Private-Purpose Trust Funds	Agency Funds
<hr/>		
<u>Assets</u>		
Cash	\$ 69,294.80	\$ 68,397.04
Total Assets	<u>69,294.80</u>	<u>68,397.04</u>
<u>Liabilities</u>		
Payables to External Parties	60,499.83	32,278.06
Employee Benefits Payable		36,118.98
Total Liabilities	<u>60,499.83</u>	<u>\$ 68,397.04</u>
<u>Net Position</u>		
Held in Trust for Other Purposes	8,794.97	
Total Net Position	<u>\$ 8,794.97</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2020

	Private-Purpose Trust Funds
<hr/>	
<u>Additions</u>	
Interest Earned	\$ 48.41
Total Additions	<hr/> 48.41 <hr/>
<u>Deductions</u>	
Payments to Beneficiaries	<hr/>
Total Deductions	<hr/>
Change in Net Position	48.41
Net Position - Beginning of Year	<hr/> 8,746.56
Net Position - End of Year	<hr/> \$ 8,794.97 <hr/>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Crenshaw County Commission (the “Commission”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

A. Reporting Entity

The Crenshaw County Commission is a general purpose local government governed by separately elected commissioners. Generally accepted accounting principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units are legally separate entities for which a primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Based on the application of these criteria, there are no component units which should be included as part of the financial reporting entity of the Commission.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Commission. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Commission’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Commission does not allocate indirect expenses to the various functions. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Fund Financial Statements

The fund financial statements provide information about the Commission's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds in the Other Governmental Funds' column.

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. Also, the funds were used for the expenditure of building and maintaining public buildings, roads and bridges.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the activities of the public works/highway department as related to maintenance, development, and resurfacing of roads, bridges, and rights-of-way.
- ◆ **RRR Gasoline Tax Fund** – This fund is used to account for the expenditures of the following taxes: four-cents State gasoline tax, five-cents State gasoline tax, two-cents State petroleum inspection fee, and the designated portion of truck licenses for the resurfacing, restoration, and rehabilitation of existing paved county roads and bridges.
- ◆ **One Cent Sales Tax Fund** – This fund is used to account for resources, specifically sales tax proceeds, that are legally restricted by local laws and used for debt service expenditures.

The Commission reports the following governmental fund types in the Other Governmental Funds' column:

Governmental Fund Types

- ◆ **Special Revenue Funds** – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- ◆ **Debt Service Funds** – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and for the accumulation of resources for principal and interest payments maturing in future years.

Notes to the Financial Statements

For the Year Ended September 30, 2020

- ◆ **Capital Projects Funds** – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

The Commission reports the following fiduciary fund types:

Fiduciary Fund Types

- ◆ **Private-Purpose Trust Funds** – These funds are used to report all trust agreements under which principal and income benefit individuals, private organizations, or other governments.
- ◆ **Agency Funds** – These funds are used to report assets held by the Commission in a purely custodial capacity. The Commission collects these assets and transfers them to the proper individual, private organizations, or other government.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Under the terms of grant agreements, the Commission funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Commission's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

D. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

1. Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the County Commission to invest in obligations of the U. S. Treasury and securities of federal agencies and certificates of deposit. The majority of the Commission's investments consist of certificates of deposit.

Investments are reported at fair value, based on quoted market prices, except for money market investments and repurchase agreements, which are reported at amortized cost. The Commission reports all money market investments – U. S. Treasury bills and bankers' acceptances having a remaining maturity at time of purchase of one year or less – at amortized cost. Certificates of deposit are reported at cost.

2. Receivables

Sales tax receivables consist of taxes that have been paid by consumers in September. This tax is normally remitted to the Commission within the next 60 days.

Millage rates for property taxes are levied by the County Commission in February of the initial year of levy. Property is assessed for taxation as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations. Property Tax revenue deferred is reported as a deferred inflow of resources.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs.

Receivables from external parties are amounts that are being held in a trustee or agency capacity by the fiduciary funds.

Notes to the Financial Statements

For the Year Ended September 30, 2020

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Restricted Assets

Certain resources set aside for the repayment of warrants that are recorded as cash with fiscal agents in both the government-wide and fund financial statements, are classified as restricted assets because they are maintained in separate bank accounts and their use is limited by the debt covenant.

5. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, water and sewer systems, and similar items), are reported in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

Depreciation on all assets is provided on the straight-line basis over the assets estimated useful life. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings and Improvements	\$ 50,000	40 years
Roads	\$250,000	50 years
Bridges	\$ 50,000	40 years
Equipment and Furniture	\$ 5,000	5 – 10 years

The majority of governmental infrastructure assets are roads and bridges. The Association of County Engineers has determined that due to the climate and materials used in road construction, the base of the roads in the county will not deteriorate and therefore should not be depreciated. The remaining part of the roads, the surface, will deteriorate and will be depreciated. The entire costs of bridges in the county will be depreciated.

Notes to the Financial Statements

For the Year Ended September 30, 2020

6. Deferred Outflows of Resources

Deferred outflow of resources is reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position.

8. Compensated Absences

The Commission has a standard leave policy for its full-time employees as to sick and annual leave.

Annual Leave

Annual vacation leave accrues to permanent full-time employees according to the following schedule:

Continuous Years of Service Completed	Per Pay Period
Less than one year	1 hour
Over one year through five years	2 hours
Over five years through ten years	3 hours
Over ten years through fifteen years	4 hours
Over fifteen years	5 hours

A total of 20 days of unused annual leave may be carried forward at the end of the calendar year. Upon separation or retirement, employees are paid, up to the maximum of 20 days, for accrued annual leave.

Sick Leave

Sick leave benefits with pay are provided for permanent full-time employees in the amount of 12 workdays per fiscal year. Unused sick leave credits may be accumulated and carried over into successive fiscal years by employees although unused sick leave in excess of 120 days at the end of any calendar year is forfeited. All unused sick leave is forfeited upon separation and is not compensated to the employee.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Compensatory Leave

Compensatory leave is provided to permanent full-time employees in accordance with the Fair Labor Standards Act. Generally, employees in public safety activity, emergency response activity, or seasonal activity may accumulate 480 hours, all other employees 240 hours maximum. According to the Fair Labor Standards Act, employees should be paid for compensatory leave in excess of the maximum hours stipulated. Compensatory leave is calculated at one and one-half times the regular hours.

9. Deferred Inflows of Resources

Deferred inflows of resources are reported in the government-wide and governmental fund financial statements. Deferred inflows of resources are defined as an acquisition of net position/fund balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.

10. Net Position/Fund Balances

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following net position categories:

- ◆ **Net Investment in Capital Assets** – Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction and improvement of those assets should also be included in this component. Any significant unspent related debt proceeds, or deferred inflows of resources attributable to the unspent amount at year-end related to capital assets are not included in this calculation. Debt proceeds or deferred inflows of resources at the end of the reporting period should be included in the same net position amount (restricted, unrestricted) as the unspent amount.
- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **Unrestricted** – Net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Unrestricted net position is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Commission.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Fund balance is reported in the fund financial statements under the following five categories:

- A. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include inventories, prepaid items, and long-term receivables.
- B. Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- C. Committed fund balances consist of amounts that are subject to a specific purpose imposed by formal action of the Commission, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- D. Assigned fund balances consist of amounts that are intended to be used by the Commission for specific purposes. The Commission authorized the Commission Chairman or County Administrator to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- E. Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the Commission to consider restricted amounts to have been reduced first. When an expenditure is incurred for the purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Commission that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Notes to the Financial Statements

For the Year Ended September 30, 2020

E. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Employees' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to Plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

Note 2 – Stewardship, Compliance, and Accountability

Budgets

Annual budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund and Gasoline Tax Fund, with the exception of salaries and benefits, which are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. Also, ad valorem taxes are budgeted in the General Fund only to the extent expected to be received rather than on the modified accrual basis of accounting. The RRR Gasoline Tax Fund budgets on a basis of accounting consistent with GAAP. Capital projects funds adopts project-length budgets. All other governmental funds prepare budgets on the modified accrual basis of accounting. All appropriations lapse at fiscal year-end.

The present statutory basis for county budgeting operations is the County Financial Control Act of 1935, as amended by Act Number 2007-488, Acts of Alabama. According to the terms of the law, at some meeting in September of each year, but in any event not later than October 1, the Commission must estimate the anticipated revenues, estimated expenditures and appropriations for the respective amounts that are to be used for each of such purposes. The appropriations must not exceed the total revenues available for appropriation plus any balances on hand. Expenditures may not legally exceed appropriations.

Budgets may be adjusted during the fiscal year when approved by the County Commission. Any changes must be within the revenues and reserves estimated to be available.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 3 – Deposits and Investments

A. Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Commission will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Commission's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

The Commission has \$5,697,799.00 of its funds in certificates of deposits. These certificates of deposit are classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

B. Cash with Fiscal Agents

The *Code of Alabama 1975*, Section 11-8-11 and Section 11-81-20, authorizes the Commission to invest in obligations of the U. S. Treasury and federal agency securities along with certain pre-refunded public obligation such as bonds or other obligations of any state of the United States of America or any agency, instrumentality or local governmental unit of any such state.

As of September 30, 2020, the Commission had the following investments in cash held by the fiscal agent:

Investments	Rating	Amortized Cost
Regions Trust Cash Sweep Money Market Fund	Unknown	\$583,060.11
Fidelity Treasury Only Class III Money Market Fund	AAAm Total	17,482.28
Total		<u>\$600,542.39</u>

Notes to the Financial Statements

For the Year Ended September 30, 2020

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law requires that pre-refunded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state that the Commission invests in be rated in the highest rating category of Standard & Poor's Corporation and Moody's Investors Service, Inc.

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The Commission does not have a formal investment policy that limits the amount of securities that can be held by counterparties.

Concentrations of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Commission does not have a formal investment policy that limits the amount the Commission may invest in any one issuer.

Note 4 – Receivables

On September 30, 2020, receivables for the Commission's individual major funds and other governmental funds in the aggregate, are as follows:

	General Fund	Gasoline Tax Fund	RRR Gasoline Tax Fund	One-Cent Sales Tax Fund	Other Governmental Funds	Total Governmental Funds
<u>Governmental Funds:</u>						
<u>Receivables:</u>						
Accounts Receivable	\$ 7,615.37	\$	\$	\$	\$	\$ 7,615.37
Intergovernmental	274,133.39	64,813.52	75,045.00	55,962.68	57,496.66	527,451.25
Total Receivables	<u>\$281,748.76</u>	<u>\$64,813.52</u>	<u>\$75,045.00</u>	<u>\$55,962.68</u>	<u>\$57,496.66</u>	<u>\$535,066.62</u>

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	Balance 10/01/2019	Additions	Deletions	Balance 09/30/2020
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 512,525.30	\$	\$	\$ 512,525.30
Total Capital Assets, Not Being Depreciated	512,525.30			512,525.30
Capital Assets Being Depreciated:				
Infrastructure - Bridges and Roads	12,920,869.76			12,920,869.76
Buildings	4,068,331.46			4,068,331.46
Equipment and Furniture	10,891,428.95	1,579,760.34	(966,067.40)	11,505,121.89
Total Capital Assets Being Depreciated	27,880,630.17	1,579,760.34	(966,067.40)	28,494,323.11
Less Accumulated Depreciation for:				
Infrastructure - Bridges and Roads	(2,703,089.48)	(435,814.97)		(3,138,904.45)
Buildings	(2,555,974.73)	(59,976.04)		(2,615,950.77)
Equipment and Furniture	(6,079,619.60)	(640,739.42)	152,625.20	(6,567,733.82)
Total Accumulated Depreciation	(11,338,683.81)	(1,136,530.43)	152,625.20	(12,322,589.04)
Total Capital Assets Being Depreciated, Net	16,541,946.36	443,229.91	(813,442.20)	16,171,734.07
Governmental Activities Capital Assets, Net	\$17,054,471.66	\$ 443,229.91	\$(813,442.20)	\$ 16,684,259.37

Depreciation expense was charged to functions/programs of the primary government as follows:

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$ 160,802.04
Public Safety	129,383.83
Highway and Roads	816,781.36
Sanitation	10,176.37
Welfare	19,386.83
Total Depreciation Expense – Governmental Activities	<u>\$1,136,530.43</u>

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 6 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Employees' Retirement System of Alabama (ERS), an agent multiple-employer public employee retirement plan (the "Plan"), was established October 1, 1945, under the provisions of Act Number 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 36-27-2, grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30th are paid to the beneficiary.

The ERS serves approximately 907 local participating employers. The ERS membership includes approximately 93,986 participants. As of September 30, 2019, membership consisted of:

Retirees and beneficiaries currently receiving benefits	25,871
Terminated employees entitled to but not yet receiving benefits	1,794
Terminated employees not entitled to a benefit	11,001
Active Members	55,222
Post-DROP participants who are still in active service	98
Total	<u>93,986</u>

Notes to the Financial Statements

For the Year Ended September 30, 2020

Contributions

Tier 1 covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2020, the Commission's active employee contribution rate was 4.96 percent and the Commission's average contribution rate to fund the normal and accrued liability costs was 8.24 percent of covered payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2020, was 10.40% of pensionable pay for Tier 1 employees, and 7.82% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission were \$236,810.99 for the year ended September 30, 2020.

Notes to the Financial Statements

For the Year Ended September 30, 2020

B. Net Pension Liability

The Commission's net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2018, rolled forward to September 30, 2019, using standard roll-forward techniques as shown in the following table:

		Total Pension Liability Roll-Forward	
		Expected	Actual
(a)	Total Pension Liability as of September 30, 2018	\$7,121,407	\$7,144,381
(b)	Discount Rate	7.70%	7.70%
(c)	Entry Age Normal Cost for the Period October 1, 2018 - September 30, 2019	209,290	209,290
(d)	Transfers Among Employers		(124,452)
(e)	Actual Benefit Payments and Refunds for the Period October 1, 2018 - September 30, 2019	(445,086)	(445,086)
(f)	Total Pension Liability as of September 30, 2019 = [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	<u>\$7,416,824</u>	<u>\$7,317,115</u>
(g)	Difference between Expected and Actual		\$ (99,709)
(h)	Less Liability Transferred for Immediate Recognition		<u>(124,452)</u>
(i)	Experience (Gain)/Loss=(g) - (h)		<u>\$ 24,743</u>

Actuarial Assumptions

The total pension liability as of September 30, 2019, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2018, which was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	3.25%-5.00%
Investment Rate of Return (*)	7.70%
(*) Net of pension plan investment expense, including inflation	

Notes to the Financial Statements

For the Year Ended September 30, 2020

Mortality rates for ERS were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2018, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stock	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	<u>100.00%</u>	
(*) Includes assumed rate of inflation of 2.50%.		

Notes to the Financial Statements

For the Year Ended September 30, 2020

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

C. Changes in Net Pension Liability

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2018	\$7,121,407	\$4,663,530	\$2,457,877
Changes for the Year:			
Service Cost	209,290		209,290
Interest	531,213		531,213
Changes in Assumptions Differences Between Expected and Actual Experience	24,743		24,743
Contributions – Employer		242,974	(242,974)
Contributions – Employee		145,588	(145,588)
Net Investment Income		117,426	(117,426)
Benefit Payments, Including Refunds of Employee Contributions	(445,086)	(445,086)	
Administrative Expense			
Transfers Among Employers	(124,452)	(124,452)	
Net Changes	195,708	(63,550)	259,258
Balances at September 30, 2019	\$7,317,115	\$4,599,980	\$2,717,135

Notes to the Financial Statements

For the Year Ended September 30, 2020

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Commission's net pension liability calculated using the discount rate of 7.70%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
Commission's Net Pension Liability	\$3,559,747	\$2,717,135	\$2,002,076

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2019. The auditor's report dated August 27, 2020, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2020, the Commission recognized pension expense of \$401,327. At September 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$209,760.00	\$5,504.00
Changes of assumptions	86,659.00	
Net difference between projected and actual earnings on pension plan investments	52,589.00	
Employer contributions subsequent to the measurement date	236,810.99	
Total	<u>\$585,818.99</u>	<u>\$5,504.00</u>

Notes to the Financial Statements

For the Year Ended September 30, 2020

The \$236,810.99 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2021	\$116,598
2022	\$115,294
2023	\$ 56,206
2024	\$ 53,573
2025	\$ 1,833
Thereafter	\$ 0

Note 7 – Long-Term Debt

In September 2016, the Commission issued General Obligation Warrants, Series 2016-A, to provide funds to refund the General Obligation Warrants, Series 2007, and to pay the expenses of issuing the warrants.

In September 2016, the Commission entered into a funding agreement with the Crenshaw County Public Building Authority for the purpose of refunding a funding agreement with the Public Building Authority. In September 2016, the Crenshaw County Public Building Authority refunded Series 2007 Warrants issued to construct the county jail on which the original funding agreement was entered into.

The Commission issued Series 2013 General Obligation Warrants dated May 15, 2013, to refund Series 2001 Warrants and to fund capital improvements.

The Commission issued General Obligations Warrants dated November 17, 2010, to fund a nutritional center.

The Commission issued Series A and B 2006 General Obligation Warrants dated September 6, 2006, to provide funds for the Elevator Project. These were paid in full during the fiscal year ended September 30, 2020.

Notes to the Financial Statements

For the Year Ended September 30, 2020

The following is a summary of long-term obligations for the Commission for the year ended September 30, 2020:

	Debt Outstanding 10/01/2019	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2020	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Warrants Payable	\$3,463,278.28	\$	\$ (213,278.28)	\$3,250,000.00	\$ 60,000.00
<u>Other Liabilities:</u>					
Funding Agreement Payable	1,815,000.00		(125,000.00)	1,690,000.00	130,000.00
Notes from Direct Borrowing	1,386,016.93	1,098,536.20	(1,138,224.70)	1,346,328.43	540,860.46
Compensated Absences	89,505.93	6,979.43		96,485.36	9,648.54
Net Pension Liability	2,457,877.00	259,258.00		2,717,135.00	
Total Governmental Activities					
Long-Term Liabilities	<u>\$9,211,678.14</u>	<u>\$1,364,773.63</u>	<u>\$(1,476,502.98)</u>	<u>\$9,099,948.79</u>	<u>\$740,509.00</u>

Payments on the general obligation warrants that pertain to the Commission's governmental activities are made by Special Revenue and Debt Service Funds. The notes from direct borrowing for the governmental activities will be liquidated by the General Fund and the Gasoline Tax Fund. Payments on the funding agreement are made by the One Cent Sales Tax Fund.

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds. In the past, approximately 46% has been paid by the General Fund, 46% by the Gasoline Tax fund, and the remainder by the other governmental funds.

The Commission's outstanding note from direct borrowing, originally issued at \$895,944.00, are secured by six 2020 Mack Dump Trucks. The outstanding notes from direct borrowings contain a provision that in the event of default, the bank may (1) declare the unpaid principal balance plus accrued interest to date to be immediately due and payable without notice or demand, (2) terminate contract as to any or all items of equipment, (3) take possession of the secured equipment without notice, (4) cause the Commission to promptly return the equipment to seller, (5) use, hold, sell, lease, or otherwise dispose of the equipment on the premises of the Commission, (6) sell or lease the equipment at public auction or by private sale or lease, (7) proceed by appropriate action either at law or in equity to enforce performance by Commission, and/or (8) exercise any and all rights accruing to Lender under any applicable law upon default by the Commission.

Notes to the Financial Statements

For the Year Ended September 30, 2020

The Commission's outstanding note from direct borrowing, originally issued at \$1,184,899.50, are secured by five 2016 Caterpillar Motor Graders. The outstanding notes from direct borrowings contain a provision that in the event of default, the bank may (1) declare the entire unpaid principal balance and all accrued unpaid interest immediately due, without notice, (2) take possession of and remove collateral, (3) sell, lease, or otherwise deal with the collateral or proceeds thereof, (4) exercise right to appoint receiver to take possession of collateral, (5) collect revenues from the collateral and apply to accounts, (5) enter into court action for any deficiency in the coverage by collateral of debt once sold, and (6) exercise any and all other rights and remedies available at law, in equity, or otherwise.

The Commission's outstanding note from direct borrowing, originally issued at \$123,297.00 is secured by one 2020 Mack Lowboy. The outstanding notes from direct borrowings contain a provision that in the event of default, the bank may (1) declare the entire unpaid principal balance and all accrued unpaid interest immediately due, without notice, (2) take possession of and remove collateral, (3) sell, lease, or otherwise deal with the collateral or proceeds thereof, (4) exercise right to appoint receiver to take possession of collateral, (5) collect revenues from the collateral and apply to accounts, (5) enter into court action for any deficiency in the coverage by collateral of debt once sold, and (6) exercise any and all other rights and remedies available at law, in equity, or otherwise.

The Commission's note from direct borrowing, originally issued at \$79,517.20 is secured by two 2020 Chevrolet Silverado Pick-Up Trucks. The outstanding notes from direct borrowings contain a provision that in the event of default, the bank may (1) declare the entire unpaid principal balance and all accrued unpaid interest immediately due, without notice, (2) take possession of and remove collateral, (3) sell, lease, or otherwise deal with the collateral or proceeds thereof, (4) exercise right to appoint receiver to take possession of collateral, (5) collect revenues from the collateral and apply to accounts, (5) enter into court action for any deficiency in the coverage by collateral of debt once sold, and (6) exercise any and all other rights and remedies available at law, in equity, or otherwise.

Notes to the Financial Statements

For the Year Ended September 30, 2020

The following is a schedule of debt service requirements to maturity:

Fiscal Year Ending	Warrants Payable		Notes from Direct Borrowing		Funding Agreement Payable		Total Principal and Interest Requirements
	Principal	Interest	Principal	Interest	Principal	Interest	to Maturity
September 30, 2021	\$ 60,000.00	\$ 103,257.51	\$ 540,860.46	\$38,906.30	\$ 130,000.00	\$ 34,467.50	\$ 907,491.77
2022	60,000.00	101,910.01	301,956.65	24,349.63	130,000.00	31,867.50	650,083.79
2023	65,000.00	100,356.26	269,589.04	15,202.75	135,000.00	29,217.50	614,365.55
2024	70,000.00	98,541.26	233,922.28	6,994.78	135,000.00	26,517.50	570,975.82
2025	70,000.00	96,671.26			135,000.00	23,817.50	325,488.76
2026-2030	380,000.00	453,795.64			715,000.00	76,115.00	1,624,910.64
2031-2035	990,000.00	377,602.50			310,000.00	7,401.25	1,685,003.75
2036-2040	1,555,000.00	157,668.75					1,712,668.75
Totals	\$3,250,000.00	\$1,489,803.19	\$1,346,328.43	\$85,453.46	\$1,690,000.00	\$229,403.75	\$8,090,988.83

Pledged Revenues

The Commission issued Series 2013 General Obligation Warrants, which are to be repaid from sales taxes and the Capital Improvement Fund Appropriation. The proceeds are to be used to refund Series 2001 General Obligation Warrants and to fund capital improvements. Future revenues in the amount of \$3,402,193.19 are pledged to repay the principal and interest on the bonds at September 30, 2020. Pledged funds in the amount of \$134,660.01 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2020. The Series 2013 General Obligation Warrants will mature in fiscal year 2040.

The Commission issued Series 2016-A General Obligation Warrants which are to be repaid from sales taxes, five mill ad valorem taxes and the annual appropriation from the Alabama Trust Fund. The proceeds are to be used to provide funds to currently refund the Series 2007 General Obligation Warrants. Future revenues in the amount of \$1,337,610.00 are pledged to repay the principal and interest on the bonds at September 30, 2020. Pledged revenue in the amount of \$29,945.00 were used to pay principal and interest on the bonds during the fiscal year ended September 30, 2020. The Series 2016-A General Obligation Warrants will mature in fiscal year 2035.

In September 2016, the Commission entered into a funding agreement with the Crenshaw County Public Building Authority which is pledged to be repaid from sales taxes, five mill ad valorem taxes and the annual appropriation from the Alabama Trust Fund. The proceeds are to be used for the purpose of partially refunding a previous funding agreement with the Public Building Authority. Future revenues in the amount of \$1,919,403.75 are pledged to repay the principal and interest on the funding agreement at September 30, 2020. Pledged funds in the amount of \$162,017.50 were used to pay principal and interest on the funding agreement during the fiscal year ended September 30, 2020. The funding agreement will mature in fiscal year 2032.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 8 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission has general liability insurance through the Association of County Commissions of Alabama (ACCA) Liability Self Insurance Fund, a public entity risk pool. The Fund is self-sustaining through member contributions. The Commission pays an annual premium based on the Commission's individual claims experience and the experience of the Fund as a whole. Coverage is provided up to \$1,000,000 per claim for a maximum total coverage of \$3,000,000 and unlimited defense costs. Employment-related practices damage protection is limited to \$1,000,000 per incident with a \$5,000 deductible and unlimited defense costs.

The Commission has workers' compensation insurance through the Association of County Commissions of Alabama (ACCA) Workers' Compensation Self Insurance Fund, a public entity risk pool. The premium level for the fund is calculated to adequately cover the anticipated losses and expenses of the Fund. Fund rates are calculated for each job class based on the current NCCI Alabama loss costs and a loss cost modifier to meet the required premiums of the Fund. Premiums are based on a rate per \$100 of remuneration for each class of employee, which is adjusted by an experience modifier for the individual county. At year-end, pool participants are eligible to receive refunds of unused premiums and the related investment earnings. The Commission may qualify for additional discounts based on losses and premium size.

The Commission purchases commercial insurance for its other risks of loss, including property and casualty insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Commission has employee health insurance coverage through the Local Government Health Insurance Program, administered by the State Employee's Health Insurance Board (SEHIB). Employees participate in a plan administered by Blue Cross/Blue Shield which functions as a public entity risk pool. This plan is self-sustaining through member premiums. Monthly premiums are determined annually by the plan's actuary and are based on the pool's claims experience, considering any remaining fund balance on hand available for claims.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 9 – Interfund Transactions

Due To/From Other Funds

The amounts due to/from other funds at September 30, 2020, were as follows:

	Due From Other Funds <u>Gasoline Tax Fund</u>	Totals
Due To Other Funds:		
RRR Gasoline Tax Fund	\$436,679.30	\$436,679.30
Totals	<u>\$436,679.30</u>	<u>\$436,679.30</u>

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2020, were as follows:

	Transfers In <u>Gasoline Tax Fund</u>	Other Governmental Funds	Total
Transfers Out:			
General Fund	\$300,000.00	\$ 7,000.00	\$307,000.00
One Cent Sales Tax Fund		162,833.64	162,833.64
Other Governmental Funds	150,000.00		150,000.00
Totals	<u>\$450,000.00</u>	<u>\$169,833.64</u>	<u>\$619,833.64</u>

The Commission typically uses transfers to fund ongoing operating subsidies.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 10 – Related Organizations

A majority of the board members of the following organizations are appointed by the Crenshaw County Commission:

- ◆ Crenshaw County Emergency Communications District
- ◆ Crenshaw County Hospital Board
- ◆ Agriculture Center Board
- ◆ Helicon Community Center
- ◆ South Crenshaw County Water Authority
- ◆ Quint-Mar Water Authority
- ◆ Public Building Authority Board

The Commission, however, is not financially accountable for these organizations because the Commission does not impose its will and have a financial benefit or burden relationship with these organizations. Likewise, these organizations listed above are not considered part of the Commission's financial reporting entity. These organizations are, however, considered to be related organizations of the Crenshaw County Commission.

Note 11 – Tax Abatements

The Commission is subject to tax abatements granted by Crenshaw County Economic and Industrial Development Authority. This government entered into property tax abatement agreements with local businesses under the State Tax Incentive Reform Act of 1992, *Code of Alabama 1975*, Section 40-9B-(1-13). Under the Act, localities may grant property tax abatements for all state and local noneducational property taxes, all construction related transaction taxes, except those local construction taxes levied for educational purposes or for capital improvement for education, and/or all mortgage and recording taxes. The abatements may be granted to any business located within or promising to relocate to Crenshaw County. These programs have the stated purpose of increasing business activity and employment in the County.

For fiscal year ended September 30, 2020, total county property taxes abated were \$471,581.22, including the following tax abatement agreements:

Granting Jurisdiction	Type	Property Tax
Economic and Industrial Development Authority	Automotive Parts Manufacturing	\$ 86,078.85
Economic and Industrial Development Authority	Automotive Parts Manufacturing	10,881.75
Economic and Industrial Development Authority	Automotive Parts Manufacturing	83,736.84
Economic and Industrial Development Authority	Automotive Parts Manufacturing	290,883.78
Total County Abated Taxes		<u>\$471,581.22</u>

Notes to the Financial Statements

For the Year Ended September 30, 2020

The following tax abatements exceeded 10 percent of the total amount abated:

- ◆ A 66 percent property tax abatement to an automotive parts manufacturing business for increasing the size of its facilities and increasing employment. The abatement amounted to \$86,078.85.
- ◆ A 66 percent property tax abatement to an automotive parts manufacturing business for increasing the size of its facilities and increasing employment. The abatement amounted to \$83,736.84.
- ◆ A 66 percent property tax abatement to an automotive parts manufacturing business for increasing the size of its facilities and increasing employment. The abatement amounted to \$290,883.78.

Note 12 – Subsequent Events

On February 23, 2021, the Commission approved a loan of \$923,352 with Bancorp South with an interest rate of 2.21% for the lease of six 2021 Mack Dump Trucks. The Commission sold the six 2020 Mack Dump Trucks that it had under lease at September 30, 2021.

On March 10, 2021, the Commission approved the sale of the five Motor Graders under lease from First Citizens Bank and approved a new loan in the amount of \$1,224,370 from Bancorp South for the lease of five 2020 CAT Motor Graders.

On June 2, 2021, the Commission approved a note from direct borrowing in the amount of \$2,929,000 at 3.5% from First Citizens Bank for a period of ten years to finance various road projects.

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Required Supplementary Information

Schedule of Changes in the Employer's Net Pension Liability
For the Year Ended September 30, 2020

	2019	2018	2017	2016	2015	2014
<u>Total Pension Liability</u>						
Service cost	\$ 209,290	\$ 186,485	\$ 183,759	\$ 186,783	\$ 173,355	\$ 146,926
Interest	531,213	515,261	487,528	438,781	430,273	418,298
Difference between expected and actual experience	24,743	16,827	81,924	457,577	(74,294)	
Changes of assumptions		36,576		206,715		
Benefit payments, including refunds of employee contributions	(445,086)	(421,068)	(543,174)	(443,063)	(402,893)	(428,189)
Transfers among employers	(124,452)	(71,740)	86,760	9,177		
Net change in total pension liability	195,708	262,341	296,797	855,970	126,441	137,035
Total pension liability - beginning	7,121,407	6,859,066	6,562,269	5,706,299	5,579,858	5,442,823
Total pension liability - ending (a)	\$ 7,317,115	\$ 7,121,407	\$ 6,859,066	\$ 6,562,269	\$ 5,706,299	\$ 5,579,858
<u>Plan fiduciary net position</u>						
Contributions - employer	\$ 242,974	\$ 209,439	\$ 208,475	\$ 223,300	\$ 204,536	\$ 219,760
Contributions - employee	145,588	146,533	123,464	121,748	111,735	121,194
Net investment income	117,426	400,832	506,443	375,443	43,698	398,230
Benefit payments, including refunds of employee contributions	(445,086)	(421,068)	(543,174)	(443,063)	(402,893)	(428,189)
Other (Transfers among employers)	(124,452)	(71,740)	86,760	9,177	94,506	11,587
Net change in plan fiduciary net position	(63,550)	263,996	381,968	286,605	51,582	322,582
Plan fiduciary net position - beginning	4,663,530	4,399,534	4,017,566	3,730,961	3,679,379	3,356,797
Plan fiduciary net position - ending (b)	\$ 4,599,980	\$ 4,663,530	\$ 4,399,534	\$ 4,017,566	\$ 3,730,961	\$ 3,679,379
Commission's net pension liability - ending (a) - (b)	\$ 2,717,135	\$ 2,457,877	\$ 2,459,532	\$ 2,544,703	\$ 1,975,338	\$ 1,900,479
Plan fiduciary net position as a percentage of the total pension liability	62.87%	65.49%	64.14%	61.22%	65.38%	65.94%
Covered payroll (*)	\$ 2,986,870	\$ 2,856,823	\$ 2,608,300	\$ 2,571,211	\$ 2,090,574	\$ 1,950,544
Commission's net pension liability as a percentage of covered payroll	90.97%	86.04%	94.30%	98.97%	94.49%	97.43%

(*) Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2020, the measurement period is October 1, 2018 through September 30, 2019. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with fiscal year 2017.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of the Employer's Contributions
For the Year Ended September 30, 2020

	2020	2019	2019	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 236,811	\$ 242,974	\$ 209,439	\$ 208,475	\$ 223,300	\$ 204,536	\$ 219,760
Contributions in relation to the actuarially determined contribution	\$ 236,811	\$ 242,974	\$ 209,439	\$ 208,475	\$ 223,300	\$ 204,536	\$ 219,760
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 2,872,649	\$ 2,986,870	\$ 2,856,823	\$ 2,608,300	\$ 2,571,211	\$ 2,090,574	\$ 1,950,544
Contributions as a percentage of covered payroll	8.24%	8.13%	7.33%	7.99%	8.68%	9.78%	11.27%

(*) The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer's Contributions is based on the 12 month period of the underlying financial statement.

(**) Employer's covered payroll for fiscal year 2020 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	28.8 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
<u>Revenues</u>						
Taxes	\$ 2,062,267.00	\$ 2,062,267.00	\$ 2,429,565.14	(1) (3)	\$ 568,100.76	\$ 2,997,665.90
Licenses and Permits	34,000.00	34,000.00	29,643.51			29,643.51
Intergovernmental	310,337.00	310,337.00	568,788.10	(3)	5,295.87	574,083.97
Charges for Services	480,000.00	480,000.00	590,349.92			590,349.92
Miscellaneous	77,000.00	77,000.00	146,700.88	(3)	567.30	147,268.18
Total Revenues	2,963,604.00	2,963,604.00	3,765,047.55		573,963.93	4,339,011.48
<u>Expenditures</u>						
Current:						
General Government	1,380,154.00	1,380,154.00	1,455,820.15	(2)	4,532.05	1,460,352.20
Public Safety	1,447,979.00	1,447,979.00	1,359,158.45	(2)	8,465.40	1,367,623.85
Highways and Roads				(4)	39,804.19	39,804.19
Sanitation	149,496.00	149,496.00	93,929.72	(2)	743.50	94,673.22
Health	27,000.00	27,000.00	27,000.00			27,000.00
Welfare	130,965.00	130,965.00	125,473.99	(2)	(855.41)	124,618.58
Culture and Recreation	12,500.00	12,500.00	12,500.00			12,500.00
Capital Outlay			149,943.80			149,943.80
Intergovernmental	44,704.00	44,704.00				
Total Expenditures	3,192,798.00	3,192,798.00	3,223,826.11		52,689.73	3,276,515.84
Excess (Deficiency) of Revenues Over Expenditures	(229,194.00)	(229,194.00)	541,221.44		521,274.20	1,062,495.64
<u>Other Financing Sources (Uses)</u>						
Transfers In	134,000.00	134,000.00	134,000.00			
Sale of Assets			5,650.00			5,650.00
Proceeds from Capital Leases			79,517.20			79,517.20
Transfers Out	(10,500.00)	(10,500.00)	(7,000.00)		(300,000.00)	(307,000.00)
Total Other Financing Sources (Uses)	123,500.00	123,500.00	212,167.20	(5)	(300,000.00)	(221,832.80)
Net Change in Fund Balances	(105,694.00)	(105,694.00)	753,388.64		221,274.20	840,662.84
Fund Balances - Beginning of Year	106,150.00	106,150.00	7,613,952.65	(6)	179,717.14	7,793,669.79
Fund Balances - End of Year	\$ 456.00	\$ 456.00	\$ 8,367,341.29		\$ 400,991.34	\$ 8,634,332.63

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2020

Explanation of differences between Actual Amounts on Budgetary Basis and Actual Amounts on GAAP Basis:

(1) The Commission recognizes motor vehicle ad valorem taxes as they are received without regard to when they are earned.	\$	51,237.94
(2) The Commission budgets salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis (GAAP).		(12,885.54)
Some amounts are combined with the General Fund for reporting purposes but are budgeted separately.		
(3) Revenues Public Buildings, Roads and Bridges Fund		522,725.99
(4) Expenditures Public Buildings, Roads and Bridges Fund		(39,804.19)
(5) Other Financing Sources/(Uses) Public Buildings, Roads and Bridges Fund		<u>(300,000.00)</u>
Net Change in Fund Balance - Budget to GAAP	\$	<u>221,274.20</u>
(6) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the effect of transactions such as those described above.		

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
Revenues						
Intergovernmental	\$ 1,470,000.00	\$ 1,470,000.00	\$ 1,311,013.70		\$	\$ 1,311,013.70
Charges for Services	15,000.00	15,000.00	26,565.52			26,565.52
Miscellaneous	387,500.00	387,500.00	305,722.33			305,722.33
Total Revenues	1,872,500.00	1,872,500.00	1,643,301.55			1,643,301.55
Expenditures						
Current:						
Highways and Roads	2,218,029.00	2,218,029.00	1,924,685.76	(1)	21,719.32	1,902,966.44
Capital Outlay	265,000.00	265,000.00	1,299,741.54			1,299,741.54
Debt Service:						
Principal Retirement	531,282.00	531,282.00	1,138,224.70			1,138,224.70
Interest and Fiscal Charges	45,032.00	45,032.00	48,271.79			48,271.79
Total Expenditures	3,059,343.00	3,059,343.00	4,410,923.79		21,719.32	4,389,204.47
Excess (Deficiency) of Revenues Over Expenditures	(1,186,843.00)	(1,186,843.00)	(2,767,622.24)		21,719.32	(2,745,902.92)
Other Financing Sources (Uses)						
Operating Transfers In	1,266,314.00	1,266,314.00	450,000.00			450,000.00
Sale of Capital Assets			945,122.33			945,122.33
Proceeds from Capital Leases			1,019,019.00			1,019,019.00
Operating Transfers Out	(200,000.00)	(200,000.00)				
Total Other Financing Sources (Uses)	1,066,314.00	1,066,314.00	2,414,141.33			2,414,141.33
Net Change in Fund Balances	(120,529.00)	(120,529.00)	(353,480.91)		21,719.32	(331,761.59)
Fund Balances - Beginning of Year	125,000.00	125,000.00	1,726,139.35	(2)	(51,984.16)	1,674,155.20
Fund Balances - End of Year	\$ 4,471.00	\$ 4,471.00	\$ 1,372,658.44		\$ (30,264.84)	\$ 1,342,393.61

Explanation of differences:

- (1) The Commission budgets salaries and benefits only to the extent expected to be paid, rather than on the modified accrual basis (GAAP).

\$ 21,719.32

Net Change in Fund Balance - Budget to GAAP

\$ 21,719.32

- (2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit 5) because of the cumulative effect of transactions such as those described above.

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - RRR Gasoline Tax Fund
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
Revenues						
Intergovernmental	\$ 770,000.00	\$ 770,000.00	\$ 782,729.90	(1)	\$ 110,229.33	\$ 892,959.23
Miscellaneous	1,000.00	1,000.00	5,645.74	(1)	5,668.53	11,314.27
Total Revenues	771,000.00	771,000.00	788,375.64		115,897.86	904,273.50
Expenditures						
Current:						
Highways and Roads	770,000.00	770,000.00	598,368.85			598,368.85
Capital Outlay						
Total Expenditures	770,000.00	770,000.00	598,368.85			598,368.85
Excess (Deficiency) of Revenues Over Expenditures	1,000.00	1,000.00	190,006.79		115,897.86	305,904.65
Other Financing Sources (Uses)						
Transfers In						
Total Other Financing Sources (Uses)						
Net Change in Fund Balances	1,000.00	1,000.00	190,006.79		115,897.86	305,904.65
Fund Balances - Beginning of Year			203,195.23	(2)	555,213.90	758,409.13
Fund Balances - End of Year	\$ 1,000.00	\$ 1,000.00	\$ 393,202.02		\$ 671,111.76	\$ 1,064,313.78

Explanation of differences between Actual Amounts on Budgetary Basis and Actual Amounts on GAAP Basis:

Some amounts are combined with the RRR Gasoline Tax Fund for reporting purposes but are budgeted separately.

(1) Revenues	
Secondary Road Fund	\$ 115,897.86
Net Change in Fund Balance - Budget to GAAP	\$ 115,897.86

- (2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the effect of transactions such as those described above.

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Additional Information

Commission Members and Administrative Personnel
October 1, 2019 through September 30, 2020

Commission Members		Term Expires
Hon. Charlie Sankey, Jr.	Chairman	November 2022
Hon. Raymond McGough	Vice-Chairman	November 2022
Hon. Merrill Sport	Member	November 2022
Hon. Robert “Bo” Mount	Member	November 2022
Hon. Stallion Sasser	Member	November 2022
Hon. Charles Bailey	Member	Deceased
<u>Administrative Personnel</u>		
David H. Smyth	Administrator	Indefinite

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor's Report

Members of the Crenshaw County Commission and County Administrator
Luverne, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Crenshaw County Commission, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Crenshaw County Commission's basic financial statements and have issued our report thereon dated January 6, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Crenshaw County Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Crenshaw County Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Crenshaw County Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

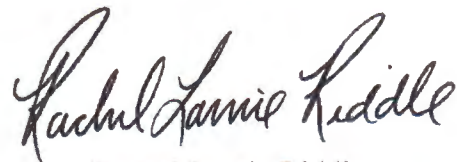
***Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Crenshaw County Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

January 6, 2022